

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 8/31/2018

GAIN Report Number: PK1826

Pakistan

Cotton and Products Update

Cotton and Products Update 2018

Approved By:

Casey Bean

Prepared By:

FAS Islamabad

Report Highlights:

FAS Islamabad forecasts Pakistan's MY 2018/19 (August to July) cotton production at 8.5 million 480 lb. bales, up 300,000 bales or four percent from the last year's level. Increased planting area in 2018/19, coupled with steady cotton prices, is incentivizing farmers to adopt good agronomic and plant protection measures. FAS Islamabad increased the MY 2018/19 cotton consumption number to 11 million 480 lb. bales, two percent higher than last year due to improved energy supplies to the industry. Pakistan's cotton imports during MY 2018/19 are forecast at 2.7 million 480 lb. bales, lower than the last year's estimate of 3.2 million bales due to higher expected production. However, imports of U.S. cotton spiked 115 percent through June of calendar year 2018, reaching a record \$500 million, in large part due to Pakistan restricting imports from India last year.

Post:

Islamabad

Executive Summary:**Larger Cotton Crop in MY 2018/19 Is Due to Increased Planted Area**

FAS Islamabad forecasts Pakistan's MY 2018/19 cotton production at 8.5 million 480 lb. bales, up 300,000 bales from the last year's production of 8.2 million bales. Pakistan's Crop Reporting Service (CRS) reported that the 2018/19 cotton planting area increased from last year four percent to 2.7 million hectares. The cotton crop is located in two provinces: Punjab (80 percent) and Sindh (20 percent). Cotton sowing during 2018/19 increased 11 percent in Punjab while area fell 31 percent in Sindh due to shortages in irrigation supplies during the planting season (April- June). Unlike Punjab, ground water in most of Sindh cotton areas is brackish and not fit for irrigation.

This year's stable cotton prices induced farmers to adopt good agronomic and plant protection measures in the field. Based on these efforts, cotton yields are forecast the same as last year. In Pakistan cotton is harvested by hand picking and farmers gauge the number of pickings while monitoring seed cotton prices and timely planting of the winter (Rabi) wheat crop. They also try to complete wheat planting by November 15 to avoid yield reductions from late sowing.

Though below average monsoon rains fell during July until mid-August, Pakistan's cotton crop is largely dependent on irrigation and water supplies that were adequate after the planting season. The cotton harvest started in August, and weather conditions during September are very critical to yields. Late-season rains cause dropped cotton balls and reduced crop quality. Alternatively, good September weather could push the crop output higher. Pest Warning and Quality Control authorities reported white fly, jassid, thrips and cotton leaf curl virus (CLCV) infestations, but the levels did not exceed threshold levels. The crop's weak resistance to bollworm, a result of extensive back crossing in developing cotton varieties in Pakistan's biotech cotton, could result in increased infestation depending on weather conditions during September 2018.

Steady Increase In Cotton Consumption

Since the last couple of years, improvements in energy supplies have rejuvenated the textile sector, and cotton use is on the increase. Industry sources further believe that improvements in energy and security situation would be helpful in efficiency and ultimately the productivity. FAS Islamabad raised up the Pakistan's MY 2018/19 cotton consumption to 11 million 480 lb. bales (14 million 170 kg. bales or 2.4 million metric tons), two percent higher than last year's consumption of 10.8 million bales. The extension in the European Union's Generalized System of Preferences "Plus" (EU's GSP Plus) to the Pakistani textile industry through 2019 also drove increased cotton consumption.

U.S. Cotton Imports Up by 115 Percent

In order to bridge the supply demand gap and to produce quality products for export purpose, Pakistan will continue to import better grades of cotton from United States and other reliable sources. Typical

imports include upland and long staple cotton, as well as medium staple cotton, to augment domestic supplies. Analysis of data from exporting countries shows that imports of U.S. cotton spiked 115 percent through June of calendar year 2018, reaching nearly \$500 million because of India's departure from the market in 2017. Due to phytosanitary and quality issues with Indian cotton, Pakistan restricted imports and the U.S. exporters gained from the situation. MY 2018/19 imports are expected to fall to 2.7 million 480 lb. bales, lower than the last year imports of 3.2 million bales due to increased local production. Adjustments to the 2017/18 import estimate reflect the latest preliminary official data from the Government of Pakistan.

Table 1: Cotton Trade Statistics

(MT)

MONTH/YEAR	IMPORTS			EXPORTS		
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	MY 2016/17	MY 2017/18
August	7,546	16,723	2,122	12,679	4,202	4,531
September	3,429	14,318	2,860	24,618	4,176	12,500
October	7,831	18,597	10,012	9,073	7,033	7,901
November	62,585	10,369	16,099	1,406	2,849	4,648
December	97,050	13,914	15,651	1,858	1,544	1,915
January	65,483	36,654	51,338	1,551	707	1,074
SUB TOTAL	225,924	110,575	98,082	51,185	20,541	32,569
February	66,976	71,636	111,873	519	522	377
March	52,486	90,250	100,454	624	493	165
April	52,464	81,821	96,580	240	622	476
May	33,589	72,896	100,137	258	282	631
June	22,707	23,865	94,301	539	103	432
July	15,079	14,745	23,630	2,390	731	570
TOTAL	487,225	465,788	625,057	55,755	23,264	35,220

Source: Pakistan Bureau of Statistics (PBS), Government of Pakistan

Table 2: Production, Supply and Demand Data Statistics

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	2400	2400	2600	2600	2700	2700
Beginning Stocks	2615	2615	2265	2265	2870	2670
Production	7700	7700	8200	8200	8500	8500
Imports	2400	2400	3400	3200	2500	2700
MY Imports from U.S.	0	0	0	0	0	0

Total Supply	12715	12715	13865	13465	13870	13870
Exports	125	125	170	170	175	175
Use	10300	10300	10800	10800	11000	11000
Loss	25	25	25	25	25	25
Total Dom. Cons.	10325	10325	10825	10825	11025	11025
Ending Stocks	2265	2265	2870	2670	2670	2670
Total Distribution	12715	12715	13865	13465	13870	13870
Stock to Use %	21.73	21.73	26.16	22.52	23.89	22.1
Yield	699	699	687	687	685	685

(1000 HA) ,1000 480 lb. Bales, (PERCENT), (KG/HA)